

AR26



Sun Oil Company Limited

(Incorporated 1923 under the laws of Canada)

Head Office

20 Eglinton Avenue West

Toronto, Ontario M4R 1K8

Directors

Brian T. Abbott, *Toronto**

Kenneth F. Heddon, *Toronto**

Ross A. Hennigar, *Toronto**

Gordon E. Hillhouse, *St. Davids, Pa.*

Ardagh S. Kingsmill, *Toronto**

Joseph R. Layton, *St. Davids, Pa.*

William R. Loar, *Calgary*

Dudley M. McGeer, *Toronto**

Harry S. Ostrander, *Toronto**

Maurice B. Parmelee, *Toronto*

Toronto and Calgary-based directors

(except Ardagh S. Kingsmill) are

employees of the Company and have no
other corporate affiliations.

*Directors noted by *are Canadian citizens.*

Officers

Kenneth F. Heddon

Chairman of the Board
& Chief Executive Officer

Ross A. Hennigar

President and Chief Operating Officer

Howard B. Maxwell

Vice President & Assistant to Chairman

Harry S. Ostrander

Group Vice President, Products

George H. Brereton

Vice President, Marketing

William R. Loar

Group Vice President,
Exploration and Production

F. Hugh Latimer

Vice President, Exploration

Brian T. Abbott

Vice President, Logistics

Dudley M. McGeer

Vice President, Administration

Maurice B. Parmelee

Secretary and Treasurer

Anthony A. L. Wright

Assistant Secretary
and Assistant Treasurer

Joseph E. Wolfe

Assistant Secretary
and Assistant Treasurer

P. Donald Kennedy

Assistant Secretary

Norman J. Forsgren

Assistant Treasurer

General Counsel

Tilley Carson & Findlay

44 King St. West

Toronto, Ontario



Cover photo: One of the two wells which Sun began drilling from artificial islands in the Beaufort Sea during 1974.

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Français de ce Rapport financier auprès de notre
service des Relations Extérieures. Ecrivez à: Public
Relations Department, Sun Oil Company Limited,
20 Eglinton Avenue West, Toronto, Ontario M4R 1K8

Highlights of the year

	1974	1973
Financial	(Dollars in Thousands)	
Sales and other operating revenues	268,838	139,688
Net profit before extraordinary gains	22,068	15,307
Net profit	26,223	20,869
Cash flow from operations	55,838	37,427
Capital expenditures	76,885	49,521
Total assets	418,736	300,467
Return on shareholders' average equity (net profit before extraordinary gains)	8.9%	7.6%
Operating	(Barrels in Thousands)	
Refined products sold	23,779	16,372
Crude oil refined	25,333	14,184
Crude oil and condensate produced	4,232	4,844



Report to the Shareholders

Earnings and Accomplishments

Late in 1974, there took place one of the most important developments in the Company's more than 50 years of operations in Canada. Sunoco E&P Limited, a sister company which had held responsibility for exploration and development in the frontier areas of Canada was merged into Sun Oil Company Limited. Rising from the reorganization was a new Sun Oil Company Limited with extensive acreage holdings in the high potential Mackenzie Delta area, the Arctic Islands and off Canada's east coast. As well, for the first time, a Canadian management team assumed responsibility for exploration and production in addition to manufacturing and marketing. Exploration and Production activities came under the direction of a newly-formed Exploration and Production Group headquartered in Calgary.

Sun Limited's manufacturing, marketing and supply and distribution activities which are carried on in Ontario and Quebec, became the Products Group within the reorganized company. Products Group headquarters is in Toronto. Corporate headquarters also was established in Toronto.

The merger brought about a number of management changes. Ross A. Hennigar was named President of the

reorganized company; Harry S. Ostrander became Group Vice President, Products; William R. Loar assumed the post of Group Vice President, Exploration and Production; and Dudley M. McGeer was named Vice President, Administration.

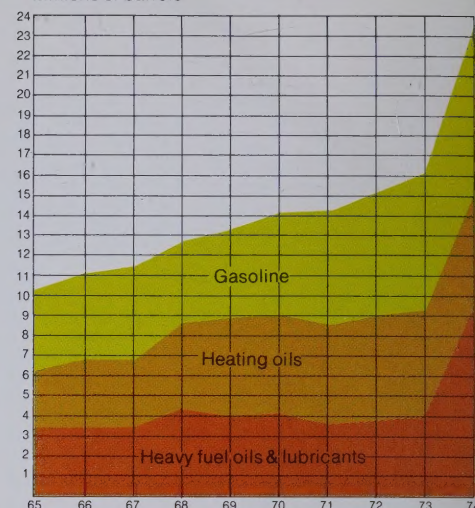
The merger was accounted for on a "pooling of interest" basis. Under this accounting treatment, the two companies are presented in combination as if they had been one entity since inception.

Another significant 1974 event was the completion in May of the Sarnia Refinery expansion. The \$38 million addition doubled the capacity of the plant to 85,500 barrels per day. In 1974, net profit before extraordinary gain rose to \$22 million from \$15 million in 1973. The extraordinary gain represents a reduced provision for income tax due to deducting certain exploration and production expenses. These expenses which have now been fully utilized had accumulated in earlier years as a result of searching for and producing oil and natural gas in Western Canada.

Reflected in the 1974 net profit is a change in the Company's policy in accounting for exploration and development costs. Prompted by the merger with Sunoco E&P, the Company moved

PRODUCT SALES VOLUMES

Millions of barrels



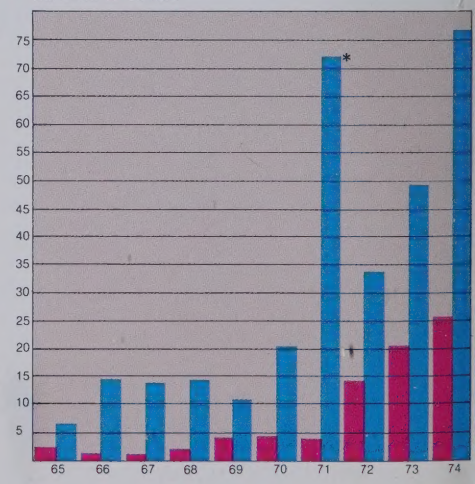
RETURN ON SHAREHOLDERS' AVERAGE EQUITY FOR THE COMPANY* COMPARED WITH CANADIAN INDUSTRY



*Based on net profit before extraordinary items

NET PROFIT VS. SPENDING ON PROPERTIES, PLANT AND EQUIPMENT

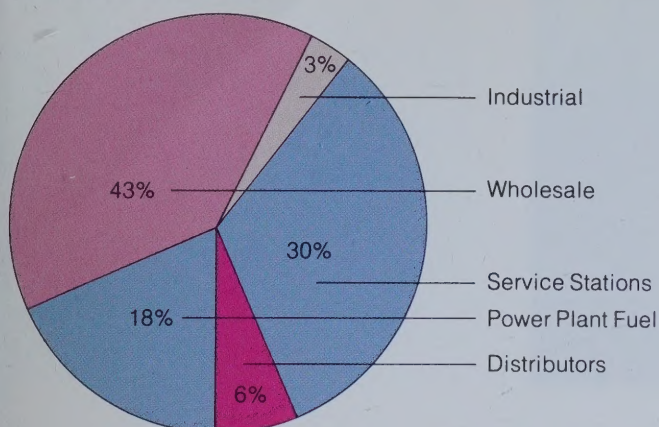
Millions of dollars



Net profit
Purchase of properties, plant & equipment
*NOTE: 1971 purchases include \$35,900,000 exploration and production properties, plant and equipment purchased from the parent company in consideration for the issue of Sun Limited common shares.

EFFECT OF MERGER AND ACCOUNTING CHANGE	1974	1973
	(Dollars in Thousands)	
Income (loss) before income tax provision, accounting change, and extraordinary gains:		
Sun Oil Company Limited	\$43,363	\$28,716
Sunoco E & P Limited	(15,534)	(7,472)
	27,829	21,244
Income tax provision	15,401	10,058
Income before accounting change & extraordinary gains	12,428	11,186
Accounting change to "Full Cost" method (Net of income tax effect of \$4,452,000 in 1974 and \$1,941,000 in 1973)	9,640	4,121
Net profit before extraordinary gains	\$22,068	\$15,307

WHO BUYS OUR PRODUCTS



from a policy of expensing substantially all intangible exploration and development costs to the full-cost method which involves the capitalization of nearly all such costs. The change was considered appropriate in view of the expanded operations in the Frontier Areas, production from which cannot be anticipated before the nineteen eighties. The 1973 financial statements have been restated to reflect the change. (Note 3 to the Financial Statements provides a more detailed explanation).

The merger and the change in accounting policy affected the net profit before the extraordinary gains as illustrated in the table EFFECT OF MERGER AND ACCOUNTING CHANGE located on opposite page.

The 1974 net profit before extraordinary gain represents a rate of return on shareholders' average equity of almost nine per cent compared to 7.6 per cent in 1973. Disturbingly, it continues to remain below the level for Canadian industry.

The improvement in net profit was brought about by a number of factors. Prominent among these were higher crude and product prices and the greater volume of product sales resulting from the enlarged capacity at the Sarnia Refinery.

On the other hand, profit improvement was inhibited by a downtrend in product prices over the latter half of the year while costs and expenses continued to rise rapidly. Substantially increased Crown royalties levied by the provinces were another factor. As well, because of the disallowance of Crown royalties as a deduction, the Company experienced higher Federal income taxes.

Capital expenditures for the year totalled \$77 million. Almost \$36 million went toward the search for oil and gas and over \$19 million were invested at the Sarnia Refinery, principally to complete the expansion program. Some \$14 million were spent for transporta-

tion and distribution with Sun-Canadian Pipe Line taking the lion's share to expand its petroleum products line between Sarnia and Toronto.

Marketing operations were highlighted by the introduction of an unleaded gasoline to meet the fuel requirements of 1975 model cars. One out of two Sunoco stations in Ontario and Quebec is now equipped to dispense the new fuel.

The program of converting carefully selected service stations to self-serve continued in 1974. The new style outlet has proved to be popular with motorists. By year-end, out of 1150 outlets,

70 self-serve stations were operating in the Company's marketing territory. The past year saw increased government involvement in the industry's activities. A major part of this involvement was the continuation of the voluntary price controls instituted by the Federal Government in 1973. However in concert with the provinces, the central government permitted an increase in the price of crude oil to \$6.50 per barrel which went into effect on April 1. Of the increase about 70 per cent went to governments in royalties and taxes. Part of the Federal Government's energy policy has been to maintain petro-





leum product prices at approximately equal levels across Canada. However, provinces east of the Ottawa Valley are served by foreign crude which is substantially higher in cost than the domestic crude consumed west of the Ottawa Valley. As a result the government moved to achieve its goal through the Oil Import Compensation Program. This program compensates Sun and other companies which import high cost foreign crude into Canada for refining into products to be sold domestically. In effect, the compensation reduces the cost of foreign crude to the oil companies to about the same level as domestic crude. This in turn reduces the cost of finished petroleum products to the consumer. Funds for the program are derived from the export tax on crude oil and finished products shipped to the United States. Companies are required to abide by the voluntary price controls east as well as west of the Ottawa Valley or have the compensation withdrawn.

New Directions

In 1974, the company announced its first petrochemical venture. Construction will begin in 1975 on a plant at the Sarnia Refinery to manufacture ben-

zene, toluene and xylene. Total cost is expected to exceed \$25 million when completed in 1977.

The long-term thrust to augment and strengthen the search for new reserves of oil and natural gas in the high cost, high risk Frontier areas was evident in 1974 with the commencement of two wells in the Mackenzie Delta area. At year-end both wells were being drilled from manmade islands, the first to be built by Sun. Target depth for each was 15,000 feet. However, shortly after year-end one well was abandoned at 11,000 feet due to over pressure problems. No commercial hydrocarbon zones were uncovered. Plans call for a third well to be drilled in the Delta in 1975.

Off the coast of Labrador, Sun holds 10 per cent interest in some 30 million acres in partnership with others. Two wells drilled by the group have uncovered encouraging gas shows. Further drilling is planned in the area in 1975.

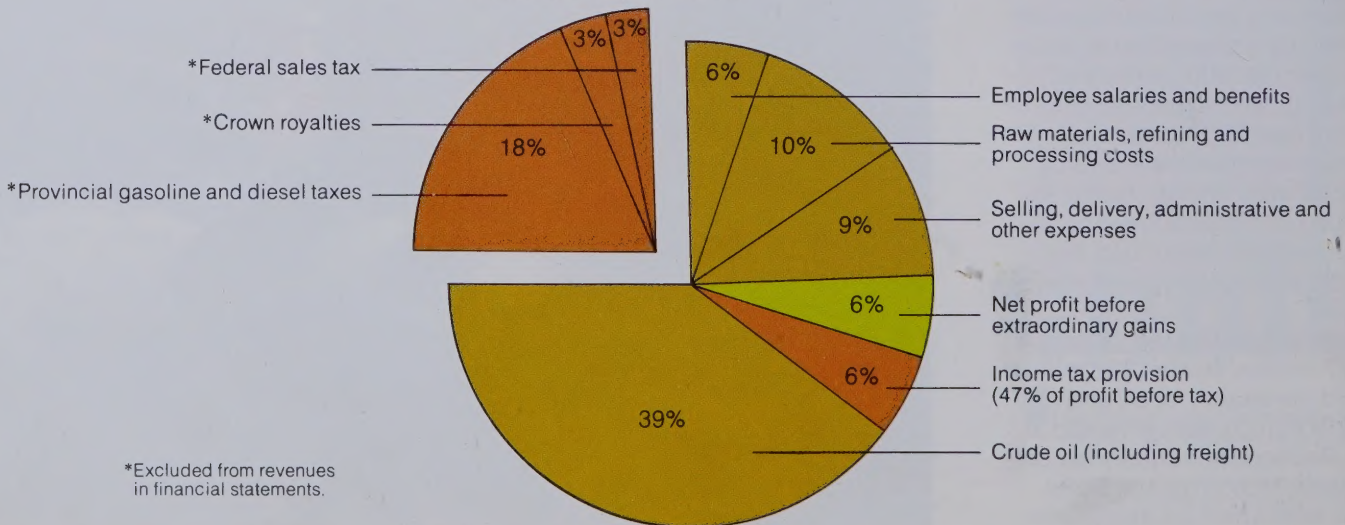
In the Arctic Islands, Sun has joined with others to form the Arctic Islands Offshore Group. With Sun as operator, the Group will work as a unit to more effectively carry out an extensive reconnaissance seismic program on offshore acreage in the Sverdrup Basin.

The program will begin in 1975 and end in 1977. At an estimated total cost of \$45 million, it is one of the largest and most technically difficult programs of its kind ever undertaken. Sun Limited's interest is approximately 29 per cent.

Since beginning operations in the Arctic, Sun has taken a leading position in researching improved methods of working in the forbidding environment found there. Important among these activities are studies of ice mechanics and ice movement. In 1975 tests will continue at Resolute Bay to improve knowledge of ice behaviour under load. It is expected to lead to drilling offshore wells on ice platforms and to generally safer operations on ice. Similar objectives are uppermost in another program to evaluate ice movements on locations which might be drilled from ice platforms. Two ice movement stations are planned in the Sverdrup Basin.

Plans were announced last year to build a natural gas plant to serve the Rosevear gas field in Alberta. The plant, to process 30 million cubic feet of natural gas daily, will be equally owned by Sun and another company. Sun will be the operator and its share

WHERE OUR REVENUES GO







of the cost will be \$4.5 million. The plant will process field gas by removing liquids and sulphur. Completion is expected in 1976.

Problems and Issues

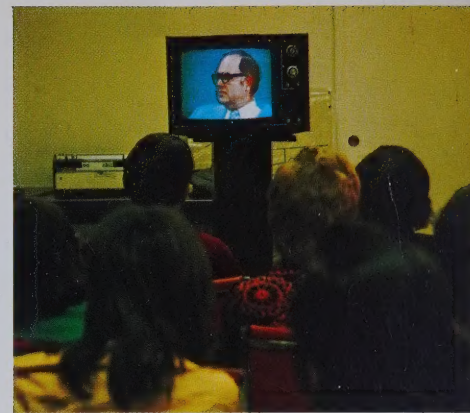
Of vital concern is the uncertainty presently permeating the environment in which your Company, and the Canadian oil industry in general, must function.

The situation results from a number of factors which have simultaneously crowded in upon the industry. The cost of everything: goods, services, wages and salaries is rising rapidly at the same time as a temporary supply-demand imbalance is tending to hold down revenues. There is a real problem as to where the huge capital funds will be found for frontier exploration and development and future oil sands plants, a problem presently compounded by the confrontation between the Federal government and oil producing provinces over the sharing of resource revenues. Finally, there is a need for a clear-cut enunciation of the terms and conditions under which oil and gas can be extracted from beneath Federal lands.

As the industry wrestles with these problems and attempts to develop



rational forward planning, some direction from government in certain areas is vital. This means, among other things, fair, consistent and stable rules under which industry can operate. In the final analysis, the challenge is to both industry and government to ensure that the needed new reserves of oil and gas are found and supplied to Canadians at reasonable prices. Basic to the challenge being met is a favourable investment climate that will enable the industry to compete effectively for the many billions of capital dollars needed to find, develop, and transport the energy to market and simulta-



neously earn a satisfactory return on its investment.

It all adds up to a high level of government-industry co-operation, an end to confrontation between governments and a clear energy policy statement for Canada.

Despite the uncertainties, the Company is cautiously optimistic as we view the long-term outlook. A reduced but still substantial capital spending program is proceeding in 1975. Funds have been earmarked for projects in Western Canada, the Arctic Islands, the Mackenzie Delta, off Canada's east coast and in Ontario and Quebec.



	1974	1973
Revenues	(Dollars in Thousands)	
Sales & Other Operating	268,838	139,688
Investment	1,967	1,881
	270,805	141,569
Expenses		
Cost of Products	179,815	75,818
Depletion of Oil & Gas Properties (Note 3)	6,002	5,666
Selling, General & Administrative	42,585	32,226
Interest (Note 4)	482	553
Income Tax Provision (Note 5)	19,853	11,999
	248,737	126,262
Net profit before extraordinary gains	22,068	15,307
Extraordinary gains (Note 6)	4,155	5,562
Net profit for the year	26,223	20,869

Auditors' Report
**The Shareholders
Sun Oil Company Limited**

We have examined the consolidated statement of financial position of Sun Oil Company Limited and subsidiaries as at December 31, 1974, and the consolidated statements of performance and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974, and the results of their operations and the changes in their financial position for the year then ended, in accordance with

generally accepted accounting principles applied, after giving effect to the retroactive change to the full cost method of accounting for intangible exploration and development costs as referred to in Note 3, on a basis consistent with that of the preceding year.



Chartered Accountants

Toronto, Ontario, January 27, 1975.

**Assets, Liabilities and
Shareholders' Equity**
Financial position
as at December 31 (Note 1)

Sun Oil Company Limited
and Subsidiaries

	1974	1973
Cash & items which may be converted to cash within one year	(Dollars in Thousands)	
Cash and Temporary Investments	\$ 275	\$ 12,403
Amounts due from: Customers	44,164	33,953
Affiliated Companies	18,433	2,682
Others	19,531	372
Inventories (Note 7)	54,257	25,766
	136,660	75,176
Deduct: Liabilities payable within one year		
Amounts due to: Suppliers	36,021	23,553
Affiliated Companies	19,982	7,444
Short-Term Borrowings	18,400	—
Export, sales and other taxes	11,472	5,359
Current portion of Long-Term Borrowings	202	7,387
	86,077	43,743
Working capital	50,583	31,433
Add: Other assets		
Properties, Plant & Equipment (Note 8)		
Exploration and Production (Note 3)	138,915	110,975
Refining	53,285	36,651
Transportation & Distribution	33,969	21,436
Marketing	49,703	45,666
	275,872	214,728
Investments (Note 9)	3,857	8,097
Expenses for the benefit of future years	2,347	2,466
	282,076	225,291
Working capital plus other assets	332,659	256,724
Deduct: Liabilities payable beyond one year		
Long-Term Borrowings	196	393
Deferred Income Taxes (Note 5)	46,965	32,121
Portion of Subsidiary's Equity not owned by Sun	8,088	5,688
	55,249	38,202
Shareholders' equity	277,410	218,522
Shareholders' Equity consists of:		
15,062 Common Shares (1973: 12,503) (Notes 1 & 10)	188,245	155,580
Profits Retained in the Business: (Note 3)		
Beginning of Year	62,942	42,073
Net Profit for the year	26,223	20,869
End of Year	89,165	62,942
	\$ 277,410	\$ 218,522

On behalf of the Board

K. F. HEDDON Director M. B. PARMELEE Director

Source & Use of Working Capital**Changes in financial position**
for the year ended December 31 (Note 1)Sun Oil Company Limited
and Subsidiaries

	1974	1973
	(Dollars in Thousands)	
Source of working capital		
Net Profit for the year	\$ 26,223	\$ 20,869
Add back (deduct) items not affecting working capital:		
Depreciation (Note 8)	7,951	5,953
Depletion (Note 8)	6,002	5,666
Write off of expenses for the benefit of future years	1,463	705
Deferred Income Taxes (Note 5)	14,844	6,612
(Gain) on Disposals of Properties, Plant and Equipment	(645)	(2,378)
	55,838	37,427
Disposals of Properties, Plant and Equipment	2,433	5,841
Increase in portion of Subsidiary's Equity not owned by Sun	2,400	2,103
Issue of Shares (Note 10)	32,665	13,000
Investments (Note 9)	4,477	—
Additions to working capital	97,813	58,371
Use of working capital		
Purchases of Properties, Plant and Equipment:		
Exploration & Production	35,952	15,097
Refining	19,073	21,979
Transportation & Distribution	14,269	6,962
Marketing	7,591	5,483
Investments	237	229
Expenses for the benefit of future years	1,344	1,106
Borrowings maturing within one year	197	8,144
Reductions in working capital	78,663	59,000
Net increase (decrease) in working capital	19,150	(629)
Working capital — Beginning of Year	31,433	32,062
Working capital — End of Year	\$ 50,583	\$ 31,433

1. Acquisition of Sunoco E & P Limited

In December 1974 the Company acquired all the outstanding shares of Sunoco E & P Limited, with a book value of \$83,205,900, in consideration for the issuance to Sun Oil Company of 2,559 common shares of the Company's capital stock valued at \$74,211,000. Because this transaction involved two companies under common control, it

was accounted for as a "pooling of interests". Under this accounting treatment, the two companies are presented in combination as if they had been one entity since inception. Assets, liabilities and shareholders' equity components are added together at their respective book values, revenues and expenses are blended together,

and deferred income taxes reduced appropriately. Since Sunoco E & P was an exploration company with virtually no revenue, it was incurring operating losses and had an accumulated deficit. The foregoing are reflected in the reduced earnings, and earnings retained in the business, of the combined company.

2. Consolidation

The Financial Statements include the full accounts of all subsidiaries.

3. Exploration and Production

In prior years the company's policy was to capitalize the cost of oil and gas leases while intangible exploration and development costs were substantially charged to income as incurred.

In 1974, the company adopted the full cost method of accounting for exploration and development costs, as described below. This change was prompted by the merger with Sunoco E & P, a company engaged in exploration in Canadian frontier regions.

The new policy has been applied retroactively, and the 1973 statements have been restated accordingly. Had this change not been made the Net Profit for 1974 would have been lower by \$9,195,000 (1973: \$3,738,000), and the Retained Earnings as at December 31, 1972 lower by \$12,265,000.

Accounting Policy—Full Cost method:

All costs incurred in finding oil and gas reserves, including leasehold

acquisition and retention costs, are capitalized. Such costs are charged against operations by a provision for depletion, calculated on a unit-of-production basis. Tangible equipment is capitalized and depreciated.

Operating costs of current production are charged directly to expense as incurred, as are overhead, general and administrative costs.

4. Interest Expense

Short-Term Borrowings
Long-Term Borrowings

1974	1973
197,000	2,000
285,000	551,000
\$ 482,000	\$ 553,000

5. Income Tax Provision

Accounting Policy: *Some costs and revenues may by law be deducted or added in calculating taxable income in years later or earlier than actually recorded in the financial statements. The Income Tax Provision is based*

upon the Revenues and Expenses actually recorded, but differs from taxes actually paid or payable. In the long run these differences between taxes actually payable and amounts expensed in respect of taxes would

tend to disappear, but year by year there are imbalances, shown in the Statement of Financial Position as Deferred Income Taxes.

6. Extraordinary Gains

(a) *Acquisition of properties from Sun Oil Company*

In 1971, the parent, Sun Oil Company, sold to the Company (in consideration for the issue by the Company of 2,503 common shares valued at \$37,539,000) certain petroleum and natural gas rights as well as associated equipment and other assets in Canada, and donated all its remaining Canadian petroleum and natural gas rights to the Company.

Under applicable income tax legislation the Company became

entitled, in computing income for tax purposes, to deduct (in addition to the cost of the petroleum and natural gas rights purchased) drilling and exploration expenses incurred by the parent equal to the production income derived from certain of the acquired petroleum and natural gas rights. These deductions, which were exhausted in 1974, resulted in savings to the Company:

(b) *Foreign Exchange Gain*

1974	1973
4,155,000	4,996,000
—	566,000
\$4,155,000	\$5,562,000

7. Inventories

Accounting Policy: Imported crude oil and refined products are valued at cost, using the first in first out pricing method, which does not exceed net realizable value. Canadian crude oil is valued, using the first in first out pricing method, at posted prices prevailing at time of production. Refined products derived from Canadian crude oil are

based on these values. Materials and supplies are valued at cost, which does not exceed market value.

	1974	1973
Crude Oil	19,819,000	9,511,000
Refined Products	25,743,000	13,411,000
Materials and Supplies	8,695,000	2,844,000
	\$54,257,000	\$25,766,000

8. Properties, Plant & Equipment

Accounting Policy—Depreciation and Depletion:

Plant & Equipment:

Depreciation is based on the average estimated useful lives of the major asset categories, and charged against revenues on a straight line basis.

Oil & Gas Properties: Depletion is charged against revenues in the ratio of units produced to estimated reserves.

	Properties, Plant & Equipment at Cost	Accumulated Depreciation & Depletion	Net Values
Exploration & Production			
Plant & Equipment	\$ 16,666,000	\$ 2,658,000	\$ 14,008,000
Oil & Gas Properties	145,687,000	20,780,000	124,907,000
Refining	80,197,000	26,912,000	53,285,000
Transportation & Distribution	48,397,000	14,428,000	33,969,000
Marketing	74,415,000	24,712,000	49,703,000
	\$365,362,000	\$ 89,490,000	\$275,872,000

9. Investments

Investments are shown at cost, and consist of notes, mortgages and other investments. 1973 includes Great

Canadian Oil Sands Limited 6% debentures of \$4,244,000. These debentures are due in May 1975, and

as at December 31, 1974, \$4,477,000 are included in Amounts due from Affiliated Companies.

10. Common Shares

Authorized share capital is 20,000 common shares of no par value, of which 15,062 are issued and fully paid.

The increase in Share Capital of \$32,665,000 during the year arose from the issue of shares by Sunoco E & P

Limited for cash, prior to its acquisition by Sun Limited.

11. Commitments and Contingencies

(a) The Company is party to an agreement whereunder holders resident in Alberta of 6% partially convertible debentures of Great Canadian Oil Sands Limited may require the Company to purchase, before April 1, 1975, their debentures at par plus unpaid and accrued interest. The total principal outstanding under this agreement as at December 31, 1974 was \$7,631,000 (1973: \$7,868,000).

(b) The Company is constructing a

plant at Sarnia to produce benzene, toluene and xylene. The amount appropriated for this project is \$25,500,000 of which \$360,000 had been incurred by December 31, 1974.

(c) The unfunded liability for past service costs in connection with the employees' pension plan at December 31, 1974 is estimated to be \$6,200,000 (based on an independent actuarial valuation as of January 1, 1974). This amount, with interest at 5%, will be paid over the next fifteen years.

(d) Minimum annual rental charges under leases and commitments expiring more than three years after the year-end approximate \$1,500,000.

(e) As of December 31, 1974, the Company had tendered offers which had been accepted, and which if approved by the Foreign Investment Review Board would require an intended expenditure of approximately \$20,000,000 to acquire exploration and production properties.

12. Directors and Officers

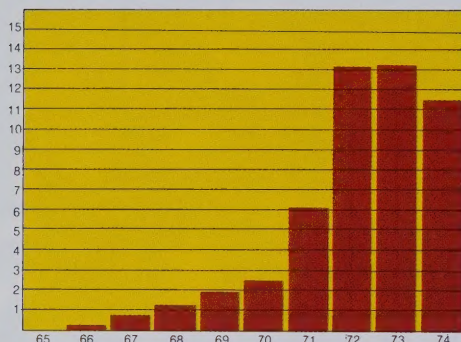
The fourteen persons who were directors of the Company during all or part of 1974 received no remuneration

as such. The eighteen officers of the Company during 1974 included nine who were also directors. Remuneration

of officers aggregated \$515,000.

10 YEAR PRODUCTION HISTORY:

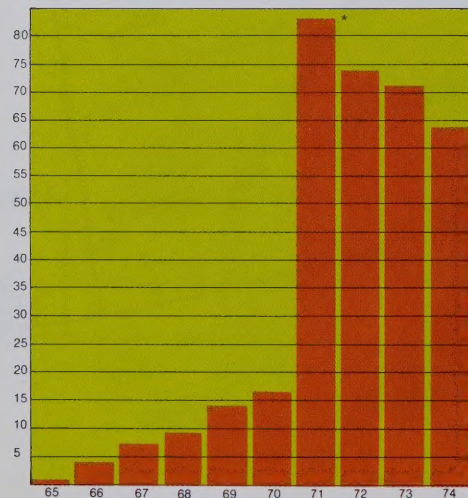
AVERAGE DAILY CRUDE OIL & NATURAL GAS LIQUIDS. Thousands of barrels/Day



AVERAGE DAILY NATURAL GAS PRODUCTION. Millions of cubic feet/Day



NET PROVEN RESERVES: CRUDE OIL & NATURAL GAS LIQUIDS (Millions of Barrels).



Data Table

Number of Service Stations. 1,150
Average Number of Employees. . . 2,390

Domestic Reserves:
Crude Oil 64 million barrels
Natural Gas 210 billion cubic ft.

Net Undeveloped Oil and
Gas Acreage. 17.1 million acres

Crude Oil Sources:
Domestic (incl. GCOS). 81%

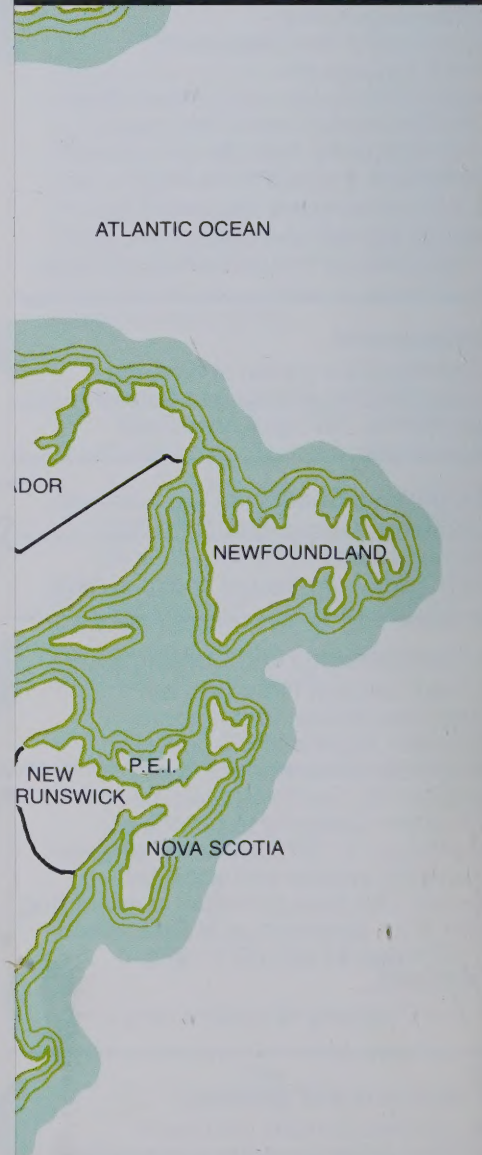
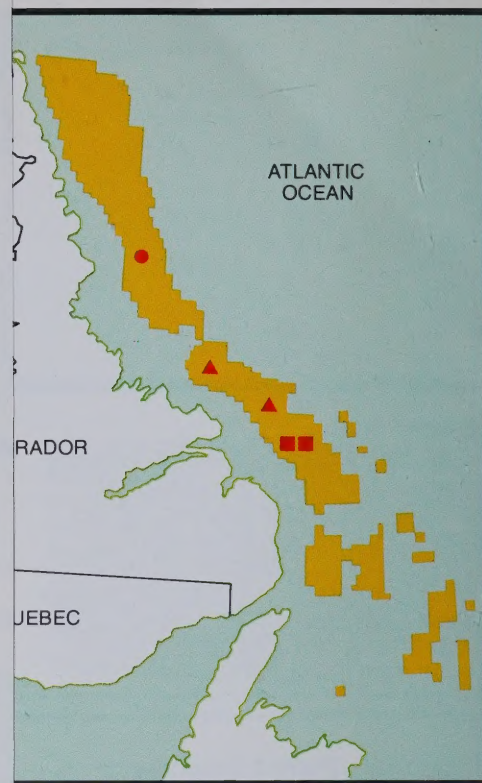
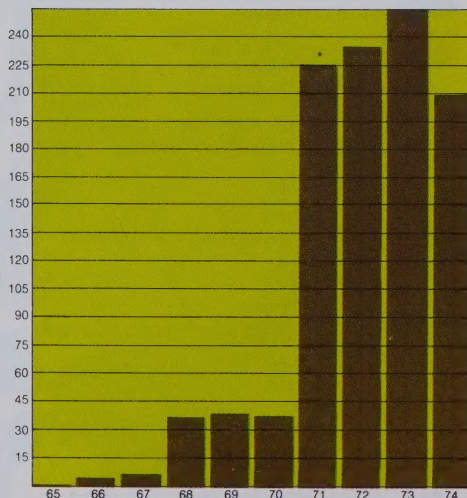
Imported:
Venezuela 7%
Middle East 12%

Number of Refineries* 1

Number of Lubricating Oil Blending
and Packaging Plants 2

**For Eastern Ontario and Quebec, product requirements are met from crude oil imported by Sun and processed by Montreal refiners to Sun's specifications.*

NATURAL GAS (Billions of Cubic Feet)



*NOTE: In 1971, the Company purchased from the parent company \$35,900,000 of exploration and production properties, plant and equipment in consideration for the issue of common shares.

Sun Oil Company Limited

Parent Company

Sun Oil Company,
St. Davids, Pa. U.S.A.

Subsidiary Companies

Albersun Oil and Gas Ltd.
Calgary, Alberta
Natural gas pipeline operator in Alberta

Baron Petroleums Inc.
Toronto, Ontario
Retail gasoline distributor

Gow Fuels Inc.
Chelsea, Quebec
Heating oil and gasoline distributor

Les Huiles de Terrebonne Ltée.
Terrebonne, Quebec
Heating oil distributor

Maywelle Properties Ltd.
Toronto, Ontario
Real estate developer

Ouimet-Gobeille Inc.
Montreal, Quebec
Heating oil and gasoline distributor

SMS Petroleums Ltd.
Toronto, Ontario
Retail gasoline distributor

Sun-Canadian Pipe Line Company
Limited
Waterdown, Ontario
Petroleum products pipeline operator in Southern Ontario (55% owned)

Sun Explorations of Quebec Ltd.
Calgary, Alberta
Exploration in the Province of Quebec

Turbex Ltd.
Toronto, Ontario
Heating oil and gasoline distributor operating with various divisions in Ontario

Associated Companies in Canada

Great Canadian Oil Sands Limited
Fort McMurray, Alberta
Toronto, Ontario.
Production of synthetic crude oil from the Athabasca oil sands

Sperry-Sun of Canada Limited
Edmonton, Alberta
Well surveying and engineering

Sunray DX Canada Oil Company
Calgary, Alberta
Exploration and production in Western Canada

Sunray DX Northern Oil Co. Ltd.
Calgary, Alberta
Exploration and production in Western Canada

Sunray DX Western Oil Co. Ltd.
Calgary, Alberta
Exploration and production in Western Canada



Sun Oil Company Limited